

(16)

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

PAID-UP

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this 1 day of July, 2008, between Stephen J. Smith ad wife Sally B. Smith hereinafter called "Lessor" (whether one or more), whose address is: 3203 York Dr. Mansfield TX 76063; and **Dale Property Services, LLC.**, hereinafter called "Lessee", whose address is 2100 Ross Ave Suite 1870 Dallas, TX 75201.

1. Lessor, in consideration of Ten and No/100 Dollars (\$10.00) and a bonus payment of \$21,000.00 per net mineral acre (which shall be a "paid up" bonus covering the primary term) together with other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets, exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil, gas, liquid hydrocarbons and their respective constituent products from under the following described land in Tarrant County, Texas, to wit:

SEE EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF.

For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain the acreage amount shown on the attached **EXHIBIT "A"**, whether actually containing more or less. Lessor agrees to execute any supplemental instrument(s) requested by Lessee for a more complete or accurate description of said land or instrument(s) to perfect title deficiencies.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of thirty-six (36) months from this date (called "Primary term"), and as long thereafter as oil, gas, liquid hydrocarbons or their respective constituent components, or any of them, is produced in paying quantities from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. This lease does not include and there is hereby excepted and reserved to Lessor all of the sulphur, coal, lignite, uranium and other fissionable materials, geothermal energy (including entrained methane, hydrostatic pressure and thermal energy), rock, gravel, and sand, base and precious metals and any other mineral substances (excepting oil, liquid hydrocarbons, gas and their respective constituent products expressly covered

under this lease) presently owned by Lessor in, under or upon the leased premises, together with rights of ingress and egress and use of the leased premises by Lessor and its mineral Lessees, for purposes of seismic exploration for the minerals reserved herein to Lessor.

4. The royalties to be paid by Lessee are:

(a) on oil and on other liquid hydrocarbons saved at the well, 25% of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected with Lessor's interest in either case to be free and clear of all costs and/or expenses of any kind including but not limited to production, pre-production, post-production, severance, compression, treating, gathering, transportation, and other excise taxes and/or other cost incurred by Lessee in transporting, delivering, processing, compressing, or otherwise making such oil and/or other liquid hydrocarbons merchantable. However, any such transportation costs which result in enhancing the value of the of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production as long as they are based on Lessee's actual transportation cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee from an unaffiliated third party purchaser. However, Lessee may at its option, at any time or from time to time, purchase Lessor's oil at the well, paying therefore the total value of all benefits and/or consideration received by Lessee, or any related, affiliated, and/or associated entity from the sale and/or other dispositions of the hydrocarbons;

(b) on gas, including casing head gas and all gaseous substances, produced from said land and sold or used by Lessee, 25% of the total value of all benefits and/or consideration received by Lessee, or any related, affiliated, and/or associated entity from the sale and/or other dispositions of such gas and/or gaseous substances. Such 25% shall not bear any costs and/or expenses of any kind including but not limited to production, pre-production, post-production, severance, compression, treating, gathering, transportation, and other excise taxes and/or other cost incurred by Lessee in transporting, delivering, processing, compressing, or otherwise making such gas and/or gaseous substance merchantable. However, any such transportation costs which result in enhancing the value of the of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production as long as they are based on Lessee's actual transportation cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee from an unaffiliated third party purchaser;

(c) on gas, including casing head gas and all gaseous substances, produced from said land and used off said land by Lessee and not benefiting Lessor, the total value of all benefits and/or consideration received by Lessee, or any related, affiliated, and/or associated entity from the sale and/or other dispositions of such gas and/or gaseous substances. Such 25% shall not bear any costs and/or expenses of any kind including but not limited to production, pre-production, post-production, severance, compression, treating,

gathering, transportation and other excise taxes and/or other cost incurred by Lessee in transporting, delivering, processing, compressing, or otherwise making such gas and/or gaseous substance merchantable. However, any such transportation costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production as long as they are based on Lessee's actual transportation cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee from an unaffiliated third party purchaser;

(d) If the gas from any well producing from this lease should be sufficiently impregnated with gasoline, condensate or other liquid hydrocarbons in suspension that paying quantities of such gasoline, condensate or other product can be separated from said gas and liquefied as a practical lease operation by the installation by Lessee of traps, separators or other devices ordinarily used in the industry for such purpose at the well site, then Lessee agrees and shall be obligated to install at the well site such device or devices to the end that so much of said gasoline, condensate or other products as can be separated through such devices before marketing be recovered and Lessor shall receive its royalty as specified in paragraph 3(a) of the gasoline, condensate or other liquefied products recovered from the lease in such manner, together with a royalty on separated gas in the amount and determined as provided in paragraph 3(b) or 3(c) hereof, as applicable;

(e) If gas or casinghead gas or separated gas resulting from field separation produced from the land subject to this lease is processed by or for the account of lessee (or any company or other entity with which lessee is affiliated by stock ownership or otherwise) for the recovery of liquid hydrocarbons therefrom in a gas processing, absorption, stripping or similar plant, then in lieu of royalties provided in paragraphs 3(b), and 3(c) a royalty of 25% of the market value at the plant tailgate of all liquid hydrocarbons recovered and saved in such plant and attributable to gas produced from the land, less 25% of the reasonable direct costs (excluding amortization and depreciation on pipeline and plant investment and direct overhead associated therewith) of processing such gas in the plant for the recovery of such liquid hydrocarbons, plus a royalty on residue gas resulting from such plant operation attributable to gas produced from the land subject to this lease in the amount and determined as provided in paragraphs 3(b) and 3(c) hereof;

(f) Any monies received by Lessee, or by any company or other entity with which Lessee is affiliated by stock ownership or otherwise, under or with respect to any agreement for the sale, use, or other disposition of oil or gas production from or attributable to the premises in the nature of (i) a prepayment for deliveries of such production to be made at a future date (or for deliveries of such production which the purchaser thereof may request at a future date), including, without limitation, any "advance payments" or "take-or-pay payments," (ii) a payment to modify the gas price or any other terms of a contract, or to terminate or rescind such contract or delay performance thereunder, and (iii) any and all other sums or other consideration paid or to be paid to compromise claims in respect of such contract, shall be deemed

proceeds of production from the leased premises when received by Lessee and royalty thereon under this lease shall be due and owing as if such production were produced and sold, used, or otherwise disposed of; provided, that all royalty amounts paid in respect of such payments shall be credited against and deducted from the royalty amounts due when and if production from the leased premises in respect of which such payments were received is delivered by Lessee to the purchaser thereof.

(g) If at any time, whether before or after the expiration of the primary term, Lessee shall have completed a well or wells bottomed under or passing under the above described premises which well or wells are capable of producing gas in commercial quantities but are shut-in with the result that gas is not produced and sold or used, Lessee shall pay as royalty to royalty owners for each such shut-in well on or before the expiration of ninety (90) days after (i) the date of completion of such gas well as evidenced by the Well Completion Report filed with the appropriate state or other governmental regulatory agency or commission having jurisdiction, or (ii) the date such gas ceases to be sold or used, as the case may be, an amount equal to Fifty Dollars (\$50.00) per acre of land attributed to the producing unit surrounding the well or wells bottomed under or passing under the leased premises. It will be considered that each such well is producing gas in paying quantities within the meaning of this lease for a period of one (1) year after the expiration of said ninety (90) day period. In like manner and upon like payments being made annually on or before the expiration of the last preceding year for which such payment or tender has been made, it will be considered that said well or wells are producing gas in commercial quantities for successive periods of one (1) year; provided, however, that this lease may not be maintained in force solely by payment of shut-in gas well royalty for any well under this paragraph for more than two (2) consecutive years after the effective date of the first such payment, or for shorter periods at various intervals not to exceed in the aggregate four (4) years in all. Said shut-in gas royalty payments shall be a debt of the Lessee and not a conditional limitation. Said payments shall be made to Lessor at the address provided above; provided, however, any owner of royalty may designate a different depository bank in writing.

(h) Accounting and payment to Lessor of royalties from production of oil and gas as herein provided shall commence no later than ninety (90) days following the first month of production. Thereafter, unless otherwise specifically provided herein, all accounting and payments of royalties shall be made on or before the last day of the second calendar month following the calendar month in which the production occurred. Unless otherwise herein expressly provided, any royalties or other payments provided for in this lease which are suspended or not paid to Lessor within the time period specified therefore shall accrue interest at the rate of eighteen percent (18%) per annum (or if lesser, the highest rate permitted by applicable law) from due date until paid. Acceptance by Lessor, its successors, agents or assigns, of royalties which are past due shall not act as a waiver or estoppel of its right to receive or recover any and all interest due thereon under the provisions hereof, unless the written acceptance or acknowledgment by Lessor to Lessee expressly so provides. If Lessee shall assert by written notice to one or more royalty owners that a good-faith,

bonafide dispute exists, based on an attorney's written opinion which is included with Lessee's notice as to the entitlement of Lessor to payment of such royalties, Lessee may then satisfy its obligations to pay such disputed royalties hereunder by paying such disputed royalty to a Trustee acceptable to both parties, which Trustee shall retain and invest such disputed royalties in interest bearing accounts approved by Lessor pending resolution of the royalty entitlement dispute with interest to belong to the rightful royalty owner. If Lessor and Lessee cannot agree on a Trustee to hold and invest the disputed royalties within fifteen (15) days after Lessee's notice or if the royalty entitlement dispute has not been settled and resolved within sixty (60) days after Lessee's notice, then Lessee, upon request by one or more Lessors shall institute an interpleader action and tender the disputed royalties plus any interest accrued thereon into a court of competent jurisdiction to be held and invested under the direction of court; provided however that Lessee shall not be entitled to claim any attorneys fees, costs, expenses, or other deductions which Lessee claims are associated with the institution of such interpleader action from the funds to be interpleaded into the Court.

5. Lessee may pool all or any portion of the lands covered by this lease. The unit formed by such pooling for an oil well shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided, however, that in the event any Federal or state law, or any order, rule or regulation of the appropriate state or other governmental regulatory agency or commission having jurisdiction prescribes or permits a spacing pattern for the development of the field, or allocates a producing allowable in whole or in part based on acreage per well, then any producing unit retained hereunder shall include only the minimum acreage as may be so prescribed or permitted or as may be used in such allocation or allowable. For the purpose of the foregoing, the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir is at least five hundred (500) feet. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling, completion, or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling, completion or reworking operations on the leased premises, except that the production on which Lessors royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, so long as the total acreage therein does not exceed the maximum herein specified. Also each such drilling or production unit, when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time during the primary term be enlarged and extended by lessee to include additionally any other formation or formations and any other mineral or minerals therein or produced therefrom. In making such a revision, Lessee shall file or record a written

declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests. Anything in this lease to the contrary notwithstanding, in the event only a part, or parts, of the land covered by this lease is pooled or consolidated with other land or lands, operations on or production from such pooled unit or units will maintain this lease in force only as to the land covered hereby which is included in such unit or units and, following expiration of the primary term of this lease, only as to the strata or stratum from which production of oil, liquid hydrocarbons, gas or their respective constituent products is obtained by the unit well or wells.

6. Subject to other provisions of this lease, with respect to drilling operations on, and acreage held by, this lease, during and following expiration of the primary term, the following provision shall govern:

(a) In the event Lessee at any time drills a dry hole bottomed under or passing under said land and no oil, liquid hydrocarbons, gas or their respective constituent products (collectively referred to in this paragraph 6 as "oil or gas") is then being produced hereunder, or in the event all production of oil or gas from said land should at any time cease for any cause, this lease shall continue in effect for a period of sixty (60) days from abandonment of such dry hole or cessation of production and may be continued thereafter if Lessee commences drilling operations under said land within said 60-day period, this lease shall continue in effect, subject to the provisions of subparagraph (d) hereof, as long as drilling operations are prosecuted with reasonable diligence and thereafter as long as oil or gas is produced hereunder; or

(b) If no oil or gas is being produced hereunder at the expiration of the primary term but Lessee is then engaged in drilling operations, or within the 60-day period specified in subparagraph (a) above Lessee commences drilling operations, this lease shall continue in effect in the manner and for the time specified in subparagraph (d) hereof.

(c) The term "drilling operations" whenever used in this lease shall mean and include operations for drilling a well; reworking operations; and reconditioning, deepening, plugging back, cleaning out, repairing or testing of a well. For all purposes of this lease, drilling operations shall be deemed to be prosecuted with reasonable diligence when prosecuted without cessation of more than thirty (30) consecutive days or when no more than sixty (60) consecutive days elapse between the completion of all (or substantially all) operations at one well or location and the commencement of drilling operations at another well or location.

(d) Anything in this lease to the contrary notwithstanding, it is understood and agreed that this lease shall terminate at the expiration of the primary term as to all lands held under this lease at the expiration of the primary term, except for any producing tracts as described below, unless Lessee is then engaged in drilling operations on this lease or, within the 60-day period preceding the expiration of the primary term, Lessee shall have completed or abandoned a well drilled on this lease. In either of such events, this lease shall continue in force, as to all lands held under this lease at the expiration of such primary term, only so long as Lessee is engaged in continuous drilling operations under said land, and drilling operations shall be deemed continuous if not more than sixty (60) days (commencing on the day of completion or abandonment in the case of a well completed or abandoned within the 60-day period preceding the expiration of the primary term) elapse between the completion or abandonment of one well and the commencement of drilling operations for another well. At the expiration of the primary term unless the continuous drilling provisions specified above in this subparagraph (d) shall then be applicable, or at such later date as Lessee shall fail to continuously drill this lease within the 60-day time periods specified above for continuous drilling operations in effect at the end of the primary term, this lease shall terminate except as follows:

(1) If Lessee has completed a well bottomed under or passing under said land which is classified as an oil well by the appropriate state or other governmental regulatory agency or commission having jurisdiction and is producing, or capable of producing, oil in commercial quantities, then this lease shall continue in effect as to a tract of Forty and no/100 (40) acres around each such well bore down to but not below 100' below the stratigraphic equivalent of the deepest depth at which such well is completed as a well capable of producing in paying quantities;

(2) If Lessee has completed a well bottomed under or passing under said land which is classified as a gas well by the appropriate state or other governmental regulatory agency or commission having jurisdiction and is producing, or capable of producing, gas in commercial quantities, then this lease shall continue in effect as to a tract of Six Hundred Forty and no/100 (640) acres around each such well bore down to but not below 100' below the stratigraphic equivalent of the deepest depth at which such well is completed as a well capable of producing in paying quantities;

provided, however, that in the event any Federal or state law, or any order, rule or regulation of the appropriate state or other governmental regulatory agency or commission having jurisdiction prescribes or permits a spacing pattern for the development of the field, or allocates a producing allowable in whole or in part based on acreage per well, then any producing unit retained hereunder shall include only the minimum acreage as may be so prescribed or permitted or as may be used in such allocation or allowable.

Thereafter, the leasehold rights as to each such particular tract (that is, the applicable oil spacing unit and the applicable gas allowable unit, as the case may be) shall continue

effective as to the particular tract down to the depths as specified above so long and only so long as said tract continues to produce hereunder and so long thereafter as Lessee may be conducting operations under said particular tract with the view of developing and/or restoring production therefrom and with no cessation of such operations on a well or wells thereunder for more than sixty (60) days until production from such tract is restored. Each such tract shall be selected by Lessee as a pooled unit and shall, as nearly as practicable, be in the form of a rectangle with the well by virtue of which same is held located parallel to the longest axis thereof and equidistant from its sides. It is the intention of the parties hereto that each such tract shall be treated as constituting a separate lease and neither production from nor operations on any such tract shall maintain this lease in force as to any other such tract. At the end of the primary term, Lessee shall file a written designation in the appropriate records of Tarrant County designating the Producing Unit for each well drilled upon or including any portion of the leased premises.

7. In the event a unit is formed hereunder for a horizontal completion before the horizontal completion is completed or within ninety (90) days after the horizontal completion is completed, Lessee shall have the right to revise the configuration and size of the unit within ninety (90) days after the horizontal completion is completed. Such right to designate a revised unit may be exercised by Lessee only twice during said 90-day period. To so revise a unit designated for a horizontal completion, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. After the expiration of said 90-day period, Lessee shall have the right to revise the configuration and size of a unit formed or previously revised hereunder for a horizontal completion; provided, however, no such revision shall be valid as to and binding upon Lessor if the interest of Lessor in unit production after giving effect to the designation of such revised unit is less than the interest that Lessor owned in unit production prior to the designation of such revised unit.

8. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. If oil or gas is discovered on the land covered by this lease, Lessee agrees to further develop the land covered by this lease as a reasonable and prudent operator would under the same or similar circumstances observing at all times the stipulations of Clause 9 of this document.

9. Lessee agrees that no water from Lessor's wells, tank, ponds, lakes, rivers, streams, springs, or other surface water located on or crossing Lessor's lands or underground fresh water will be used in the conduct of any of its operations. Lessee shall comply with applicable state and Federal regulations in disposition (by reinjection or otherwise) of salt water, brine or other fluids utilized in or resulting from operations, and shall not cause or permit any such substances to damage or pollute the surface of the leased premises or any fresh water sands lying thereunder. Lessee shall have the right at any time within sixty (60) days after the expiration of this lease and provided Lessee is not in default hereunder to remove all property and fixtures placed by Lessee around the periphery of said land, including the right to draw and remove all casing except casing in

water wells, and Lessee shall do nothing that will in any way damage any water well or prevent its future use by Lessor. However, if Lessor so elects, Lessee agrees to remove the casing from and plug and abandon water wells at Lessee's sole expense.

a. Lessee understands that the majority of the land described in Exhibit "A" has been platted for residential purposes. Lessee agrees that it shall not use the surface of the land as a drill site, injection well site, repressuring site, pressure maintenance site, cycling and/or secondary or tertiary recovery operation site, gathering station, frac tank, frac pond, frac pit, mud pit, or for any other facilities or vehicular traffic related to drilling and/or production off of the county roads. Further, no drilling activity on any lands adjoining the leased premises shall occur within 600' of any existing structure located on the leased premises. All drilling activities conducted within 500' of the lands described in Exhibit "A" shall employ a closed loop "zero discharge system" or similar technology for drilling the well. All mud, drill cuttings, sewage, produced water, etc. will be collected for disposal at state-approved disposal facilities, or disposed down the well annulus. Where feasible, excess materials and drill cuttings will be stored on the drill location in order to coordinate the removal of such materials. For all drilling activities conducted within 600' but more than 500' of the lands described in Exhibit "A" in which drilling mud is used and pits are used to collect fluids used in such operations, such pits shall not be located on any lands described in Exhibit "A", and all such pits located within 600' of the property described in Exhibit "A" shall be lined with an impenetrable material so as not to allow any drilling fluids, additives, oil or other substances to penetrate the soil of the leased premises. Lessee shall comply with all regulatory and statutory requirements in the use and construction of all pits utilized with drilling operations on the lease premises.

10. Within sixty (60) days of the completion of drilling and completion operations on a well on any lands adjoining the lands described in Exhibit "A" Lessee shall restore the surface to the same condition in which it was found immediately prior to any use thereof as much as reasonably possible. All oil-based mud and other oil-based or salt-water based drilling fluids shall be vacuumed from the pits and disposed of properly off the leased premises by Lessee, all pits and other excavations shall be backfilled and leveled by Lessee, weather permitting, and the site shall be cleaned and all trash, garbage, junk, pieces of iron, pipes, unused equipment and other debris shall be removed by Lessee.

11. Lessee shall keep the leased premises and adjacent lands clean and free of all trash and litter which may emanate from Lessee's operations. Under no circumstances will Lessee bury or burn any trash, debris or foreign material of any nature within 500 feet of the leased premises.

12. Lessee shall not assign this lease in whole or in part, nor any interest therein, without the prior written consent of Lessor, which consent shall not be unreasonably withheld; provided however, that Lessor may withhold such consent if Lessor reasonably believes that any assignee or transferee of this lease who will assume duties as operator

does not have a net worth equal to or better than Lessee or the capability of operating the lease in a manner comparable in the manner in which Lessee operated the lease or the financial ability to perform Lessee's obligations hereunder. Lessee shall have the right to assign this lease without Lessor consent if such assignment is begin made to Chesapeake Exploration, L.L.C., its successors in interest, or its officers, directors, and/or subsidiaries.

13. Lessee shall not be liable for delays or defaults in its performance of any agreement or covenant hereunder (other than any covenant or agreement which relates to the payment of money) due to force majeure. The term "force majeure" as employed herein shall mean any act of God, including but not limited to storms, floods, washouts, landslides, and lightning. This lease is expressly made subject to, and Lessee in its operations hereunder shall comply with applicable requirements of, all Federal and state laws, and rules and regulations of any governmental authority, state or Federal, having jurisdiction in the premises, and nothing herein contained shall be construed as requiring Lessee to violate any such laws, rules or regulations or to penalize Lessee for complying therewith. If Lessee is required, ordered or directed by any Federal or state law, or any order, rule or regulation of governmental authority to cease drilling, reworking or producing operations on the land covered by this lease, or if Lessee by force majeure is prevented from conducting such operations, then until such time as such law, order, rule, regulation or force majeure is terminated and for a period of sixty (60) days after such termination each and every provision of this lease or implied covenant arising thereunder that might operate to terminate this lease or the estate conveyed by it (other than any covenant or agreement which relates to the payment of money) shall be suspended and inoperative and this lease shall continue in full force and effect; provided, however, that in no event shall the term hereof be so extended for a period of more than two (2) years solely by reason of this paragraph. The protections afforded by this paragraph shall not apply to any occurrence or cause within the control of Lessee, or which could have been prevented by Lessee, in the exercise of reasonable prudence; and, Lessee shall take all reasonable actions to remove or end any triggering cause of the protections of this paragraph as soon as reasonably possible. In no event shall this lease be perpetuated by the provisions of this paragraph 9 for a period of more than one (1) consecutive year, or two (2) years of cumulative time.

14. The breach by Lessee of any obligation arising hereunder shall not work an immediate forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that Lessee has breached the terms and conditions of this Lease, Lessor shall notify Lessee in writing of such breach. Lessee shall have thirty (30) days after receipt of notice to remedy said breach. Failure to remedy such breach shall terminate this Lease and Lessor shall forfeit all rights to the oil, gas and other minerals in any lands covered by this lease which are not otherwise held by actual and continuous production of oil, gas and other minerals or the conduct of operations as set forth herein. After the discovery of oil, gas or other mineral in paying quantities on said land, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one (1) well per forty (40)

acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one (1) well per six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities or a horizontal completion unless the Texas Railroad Commission shall specify smaller well spacing allowances. Should the Texas Railroad Commission specify smaller well spacing allowances by issuance of field rules or otherwise, Lessee shall be required to drill one well for each specified well spacing allowance. All drilling done under this provision will be conducted with respect to the prohibitions of Clause 9 against performing drilling or production operations from the surface of the leased area.

15. Lessor hereby agrees that Lessee at its option, may discharge any tax, mortgage or other lien upon said land in the event of default of payment by Lessor, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in the event of failure of title, it is agreed that, if Lessor owns an interest in said land less than the entire fee simple estate, whether stated herein above as a whole or partial interest, their the royalties to be paid Lessor shall be reduced proportionately. All royalty interest covered by this lease (whether or not owned by lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named herein above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

16. Lessee, its successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or Lessors heirs, representatives, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, express or implied, of this agreement as to the acreage so surrendered, and thereafter the advance annual royalties payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. Such release, however, shall not relieve Lessee of any cleanup, remediation, indemnity or other obligations of Lessee under this lease with respect to the released acreage.

17. Upon Lessor's request after the expiration of the primary term (if Lessee elects not to continuously develop) or the Continuous Development Period, above, Lessee shall execute and record a partial release containing a satisfactory legal description of the acreage not retained hereunder. Such release, however, shall not relieve Lessee of any cleanup, remediation, indemnity or other obligations of Lessee under this lease with respect to the released acreage.

18. Lessee is hereby given the option to extend the primary term of this lease for an additional two (2) years from the expiration of the original primary term hereof. The option may be exercised by Lessee at any time during the original primary term by paying the sum of twenty two thousand, five hundred & no/100 dollars (22,500.00) per net mineral acre to Lessor or to the credit of Lessor mail to Lessor at the above address. This payment shall be based upon the number of net mineral acres then covered by this lease & not at such time being maintained by other provisions hereof. This payment may be

made by the check or draft of Lessee mailed or delivered to Lessor or to said bank at any time during the original primary term hereof. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept payment, Lessee shall not be held in default for failure to make such payment until thirty (30) days after Lessors delivery to lessee of a proper recordable instrument naming another bank as agent to receive such payment. If, at the time this payment is made, various parties are entitled to specific amounts according to Lessee's records, this payment may be divided between said parties and paid in the same proportion. Should this option be exercised as herein provided, it shall be considered for all purposes as though this lease originally provided for a primary term of five (5) years.

19. Lessor and Lessee agree that in the event production is obtained hereunder pursuant to which Lessor executes a division order or division orders (or transfer order or transfer orders) that contain terms and provisions which conflict with or vary the terms and provisions of this lease, the terms and provisions hereof shall control and Lessor shall always be entitled to receive royalties on the basis herein provided irrespective of whether such payments are made by Lessee or by a third party purchaser of production. Any division order or transfer order that Lessor executes shall be executed solely for the purpose of confirming Lessor's interest in the production of covered minerals from the leased premises or lands pooled therewith, and in no event shall the execution thereof be effective to ratify or revive this lease irrespective of any language therein to the contrary. Furthermore, the execution by Lessor of a division order in favor of a third party purchaser of production shall not relieve Lessee of Lessee's obligations hereunder to pay royalties timely and properly to Lessor in the event such third party purchaser declares bankruptcy or otherwise fails or refuses to pay royalties in a timely and proper manner.

20. Lessee, its successors and assigns agree to defend, indemnify, and hold harmless Lessor, and its officers, owners, partners, guests, invitees, and any of their respective heirs, successors, agents and employees (collectively, the "Indemnified Parties"), from any and all costs, losses, claims, judgments, settlements, and damages of every kind and character to property or persons (including violations of environmental laws and regulations, personal injury and death), lawsuits and/or causes of action (including reasonable attorneys' fees, expert fees and court costs), **INCLUDING CLAIMS ARISING FROM THE JOINT OR CONCURRENT NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES**, and including strict liability, which may grow out of, arise from, or in any manner be connected with the activities of Lessee and Lessee's agents, invitees, guests, contractors, servants and employees, whether acting within the scope of their employment or not, and whether negligent or not, on the leased premises, or any adjacent property.

As used in this lease, the term "Hazardous Materials" means any substance defined or identified as a hazardous, extra hazardous or toxic substance, waste, or material under any applicable federal, state, or local statute or regulation. "Remedial Work" is defined as any site investigation or monitoring, any cleanup, containment, remediation, removal, or restoration work performed in response to any federal, state or local government authority or private party action, or pursuant to any federal, state or local statute, rule regulation or other laws. Lessee agrees (1) to remove from the leased premises, if, as and when required by law, any Hazardous Materials released thereon by Lessee, (2) to

perform Remedial Work where the need therefore arises in connection with Lessee's operations or activities around the periphery of the leased premises, and (3) to comply in all respects with all federal, state and local governmental laws and regulations governing operations by Lessee and Remedial Work on or associated with the leased premises. Remedial Work shall be performed by one or more contractors selected by Lessee and under the supervision of a consulting engineer selected by Lessee. All costs and expenses of Remedial Work resulting from Lessee's operations shall be paid by Lessee, including, without limitation, the charges of such contractors and/or the consulting engineer and Lessor's reasonable attorneys' fees.. Lessee will notify Lessor of any claim or other action by any governmental agency or any third party involving the actual or alleged existence of Hazardous Materials on the leased premises or on Lessor's adjoining property and to provide Lessor with copies of (1) any notice of any release of Hazardous Materials given by Lessee pursuant to any law or regulation and (2) any report of and response to any such incident. Lessee, its successors and assigns, will indemnify, pay and protect, defend and save Lessor, and its officers, owners, partners, guests, invitees, and any of their respective heirs, successors, agents and employees, harmless from all claims, liabilities, fees and expenses of any kind (including attorneys' fees and costs) that arise from the actual or alleged presence or release of any Hazardous Materials in connection with the operations of Lessee and Lessee's agents, invitees, guests, contractors, servants and employees in the area of the leased premises.

21. Lessee, at its own expense, shall maintain a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity provisions of this lease) in an amount of at least \$10,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. Said policies shall (i) name Lessor as an additional insured (except for the worker's compensation policy, which instead shall include a waiver of subrogation endorsement in favor of Lessor), and (ii) provide that said insurance shall not be canceled unless thirty (30) days prior written notice shall have been given to Lessor. In addition, such insurance provided by Lessee shall be primary coverage for Lessor when any policy issued to Lessor is similar or duplicate in coverage, and Lessor's policy shall be excess over Lessee's policies.

22. This lease is subject to all licenses, permits, easements, rights of way, surface leases and other contracts of Lessor affecting the surface of the leased premises.

23. No waiver of any of the provisions of this lease shall be deemed or constitute a waiver of any other provision of this lease, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessor to enforce any provision of this lease shall not be deemed nor shall constitute a waiver of the right of Lessor to enforce such provision.

24. Any amendment, alteration, extension or ratification of this lease or any term or provision of this lease shall be made by an instrument in writing clearly denominated as to its purpose and effect and jointly subscribed by the LESSEE and LESSOR, describing

the specific terms or provisions of the lease affected and the proposed change or modifications thereof and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted and executed shall be of no force and effect.

25. Lessee covenants that it will strictly comply with all applicable laws, regulations and ordinances in conducting all operations under this lease.

26. If either party hereto files a legal action to enforce any express or implied obligation of this lease and receives a favorable judgment from a court of competent jurisdiction, then the losing party shall reimburse the prevailing party for all costs of such legal proceedings, including costs incurred, expert witness fees and reasonable attorneys' fees.

27. Any notice or other communication permitted or required under the terms hereof shall be in writing and, unless otherwise specified, be deemed properly given on the date personally delivered or on the date postmarked if mailed, postage prepaid United States mail, addressed to Lessor or Lessee at the address set forth at the commencement of this lease, or to such other address as may hereafter be designated by either party to the other by notice. Notice given in other manner shall be effective only if and when received.

28. **No Warranty of Title.** Lessor makes no warranty of any kind with respect to title to the surface or the mineral estate in the Property or any portion or interest therein. All warranties that might arise at common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor), are likewise not provided by Lessor and are hereby excluded. By acceptance of this Lease, Lessee acknowledges that it has been provided a full and complete opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. Lessee assumes all risk of title failures.

29. By executing this document I hereby acknowledge that I am familiar with the terms and conditions contained in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for Oakview Estates Recorded in Volume 12620 at Page 0077 of the Tarrant County Deed Records, Tarrant County, Texas ("the Declaration") which governs properties contained within Oakview Estates, and specifically that I am familiar with the prohibition against the development of oil, gas and other minerals as contained in Section 9.22 of the Declaration, and that I have given my proxy to the President of the Oakview Estates Homeowners Association to vote to amend such Section as he deems appropriate to permit subsurface development of the minerals in and under the lands contained within Oakview Estates without the use of any surface of any lands within Oakview

Estates. I further acknowledge by signing this document that I have waived my individual right to enforce Section 9.22 or any other part or portion of the Declaration which purports to prohibit, prevent, or otherwise interfere with any Owners right to develop the minerals in and under the lands contained within Oakview Estates without the use of any surface of such lands, and I agree that I will not initiate any action, claim, litigation, cause or other proceeding, at law or in equity, administratively, judicially, through arbitration or other means which seeks to enforce Section 9.22 or any other part or portion of the Declarations which purports to prohibit, prevent or otherwise interfere with any Owners right to develop the minerals in and under the lands contained within Oakview Estates without the use of any surface of such lands.

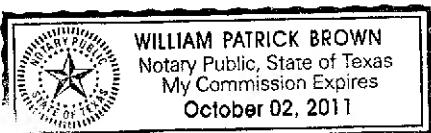
IN WITNESS WHEREOF, this instrument is executed as of the date above written.

LESSOR Stephen J Smith **LESSOR** Sally B Smith
Stephen J Smith, Sally B Smith

THE STATE OF TEXAS §
COUNTY OF TARRANT §
§

LESSOR Sally B Smith
Sally B Smith

This instrument was acknowledged before me on the 1th day of July, 2008, by
Stephen J. Smith and Sally B. Smith



Notary Public in and for the State of Texas
Notary's name (Printed): _____
Notary's commission expires: _____

Notary Public in and for the State of Texas
Notary's name (Printed): _____
Notary's commission expires: _____

EXHIBIT A

Attached to and made a part of the NO SURFACE USE OIL AND GAS LEASE dated July 1, 2008, between Dale Property Services, LLC, as Lessee, and Stephen J. Smith and Sally B. Smith, as Lessor; WITNESSETH:

0.273 acres of land, more or less, being Blk A Lot 34, Oakview Estates Addition, an addition to the City of Mansfield, Tarrant County, Texas, according to the Plat thereof recorded in Volume A, Page 2154, Plat Records, Tarrant County, Texas.



DALE RESOURCES
3000 ALTA MESA # 300

FT WORTH TX 76133

Submitter: DALE RESOURCES LLC

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 07/22/2008 09:35 AM
Instrument #: D208284001
LSE 17 PGS \$76.00

By: _____



D208284001

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Printed by: CA